

Croatia

The Development Challenge: Croatia began its transition to democracy and a market-oriented economy in January 2000, with the election of a coalition of democratic parties to Parliament. A successful transition is important to the key U.S. foreign policy goals of achieving stability in the Balkans and managing transnational threats.

Croatia has made significant, but uneven progress, and has not yet fully consolidated democratic institutions or successfully integrated into Euro-Atlantic institutions. Until recently, the Croatian government had stayed the course toward justice on war crimes and renewal of economic ties and other forms of cooperation with former Yugoslav partners. The Croatian government's hesitance to come into compliance with its obligation to cooperate with the International Criminal Tribunal for the former Yugoslavia (ICTY) when presented with an indictment for former Chief of General Staff Bobetko demonstrates that while the current government has made a serious start on the reform process, those reforms are not irreversible. The moral suasion of the international community, especially the United States, continues to be critical for encouraging Croatia to meet its Dayton and Erdut commitments, including cooperation with the war crimes tribunal in The Hague.

United States Government assistance, the primary source of technical advice to the Government of Croatia (GOC) on economic reform and strengthening of democratic institutions, continues to influence and leverage commitments that further U.S. national interests - including the development of a free market-oriented economy, fully reformed democratic institutions, cooperation on war crimes prosecution, and closer association to the European Union (EU) and other Western institutions. Staying the course in USAID support for these processes will be essential to helping Croatia weather not only the typical "transition backlash", but also a detectable resurgence of nationalist sentiment.

The issue of minority returns to Croatia remains a major concern, with the momentum of the immediate post-2000 election period lost. The number of returns in 2002 was roughly equal to 2001, but remains down from 2000 levels by 25 percent. Few Croatian Serbs are benefiting from GOC assistance in resolving accommodation and property issues. While neighbor-to-neighbor relations at the local level continue to improve gradually, problems with property restitution, lack of access to reconstruction assistance, and the absence of economic opportunity still have a negative impact on the return process.

While the GOC has made progress on achieving macroeconomic stability, the economy continues to perform below potential. Croatia is still plagued by a high unemployment rate (16%) and low competitive capacity in international markets. The modest progress the government made over the last two years in reducing the fiscal deficit could be threatened by upcoming elections. In order for this progress to translate into faster economic growth and eventually lower unemployment, the government must accelerate privatization, reduce bureaucracy, and lower taxes. Furthermore, there is a need for increased efforts against corruption through more effective application of the rule of law, particularly improvements in the court system.

The USAID Program: The USAID assistance program is aimed at helping Croatia to continue progress toward a prominent place within the community of democratic and market-oriented nations and to become a force for stability, peace, cooperation and prosperity throughout Southeast Europe. Stronger economic and political institutions and social stability in Croatia will further peace and stability throughout the region. USAID's assistance program is structured around four programmatic areas designed to assist Croatia in accomplishing these goals, including: 1) growth of a dynamic and competitive private sector, 2) more effective citizen participation and improved governance, 3) accelerated return and sustainable reintegration of war-affected populations, and 4) mitigation of adverse social conditions and trends.

USAID-funded economic activities address privatization, enterprise promotion, international competitiveness, and energy restructuring. In early FY 2003, USAID will launch a market linkages program focused on 1) developing Croatia's agribusiness sector, consisting mostly of small and medium enterprises (SMEs), and 2) establishing domestic linkages among producer organizations, processors and

markets. USAID democratization efforts will continue to support NGO capacity building, political parties and elections, and local government reform. Assistance to further the return and reintegration of war-affected populations will continue through two programs involving infrastructure reconstruction and economic revitalization of war-affected regions. As the infrastructure component of USAID's refugee return and reintegration program ends in early FY 2004, a concerted effort will ensue on revitalizing the economies of the war-affected regions to encourage sustainable returns of young, economically active families. A market-based New Housing Solutions program through a Development Credit Authority agreement with a local Croatian Bank funded in FY 2002 will be launched in early FY 2003. USAID's social transition program addressing 1) pension reform, 2) the promotion of democratic labor organizations, 3) tripartite dialogue on social issues among labor, business and government, and 4) efforts to increase public awareness in human trafficking and HIV/AIDS will continue to be supported in FY 2003.

Other Program Elements: USAID's Regional Infrastructure Program (RIP) provides assistance to targeted Croatian cities in developing private sector participation in the provision of local utility services, with the prospects of attracting private investment in order to finance required capital improvements to local infrastructure such as water facilities. Also, USAID's EcoLinks Program, the Eurasian-American Partnership for Environmentally Sustainable Economies, links businesses, local governments and associations in Croatia with counterparts in the U.S. or other countries in the region to promote market-based solutions to environmental problems.

Other Donors: The United States and the European Union (EU) are the principle bilateral donors in Croatia. The EU recently launched its multi-year, broad-based Community Assistance for Reconstruction, Development, and Stabilization (CARDS) assistance program. The IMF and the World Bank are the primary multilateral lenders. USAID/Croatia works closely with other donors in the development and implementation of activities, especially the World Bank, the United Nations High Commissioner for Refugees (UNHCR) and the EU. USAID is implementing a technical assistance project closely linked to a World Bank automation project on commercial law reform that aims to improve the efficiency of the commercial court system, which is consistently cited by the private sector as a significant impediment to doing business. Pension reform is another area of USAID-World Bank cooperation. USAID coordinates democracy and refugee reintegration assistance with the European Union, UNHCR, the Council of Europe, Office of Security & Cooperation in Europe, and other bilateral donors, including the British, Norwegian, Dutch, German, Swedish and Canadian governments as well as with the State Department's Bureau for Population, Refugees and Migration. USAID-EU coordination on refugee return programs extends to the local level, where EU-funded housing reconstruction and USAID-financed infrastructure and economic development activities serve the same communities. Major private donors include the Open Society Institute and the C.S. Mott Foundation.

Croatia
PROGRAM SUMMARY
(in thousands of dollars)

Accounts	FY 2001 Actual	FY 2002 Actual	FY 2003 Prior Request	FY 2004 Request
Asst. for E. Europe and the Baltic States	30,032	44,000	30,000	25,000
Supplemental - AEEB	14,593	0	0	0
Total Program Funds	44,625	44,000	30,000	25,000

STRATEGIC OBJECTIVE SUMMARY

160-0130 Growth of a Dynamic & Competitive Private Sector				
AEEB	15,300	14,350	11,085	9,185
160-0210 Citizen Participation & Improved Governance				
AEEB	10,550	8,059	5,140	5,015
160-0310 Return & Reintegration of War-Affected Populations				
AEEB	10,131	12,450	5,835	5,015
160-0340 Mitigation of Adverse Social Conditions & Trends				
AEEB	2,659	3,150	3,105	2,605
160-0420 Cross-Cutting Programs				
AEEB	985	950	685	700

TRANSFER				
AEEB	5,000	5,041	4,150	2,480

SO 160-0130 includes \$5,300 of FY 2001 Supplemental - AEEB.
SO 160-0210 includes \$2,500 of FY 2001 Supplemental - AEEB.
SO 160-0310 includes \$4,166 of FY 2001 Supplemental - AEEB.
SO 160-0340 includes \$1,575 of FY 2001 Supplemental - AEEB.
SO 160-0420 includes \$452 of FY 2001 Supplemental - AEEB.
TRANSFER includes \$600 of FY 2001 Supplemental - AEEB.

Mission Director,
William Jeffers

Data Sheet

USAID Mission:	Croatia
Program Title:	Growth of a Dynamic & Competitive Private Sector
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	160-0130
Status:	Continuing
Proposed FY 2003 Obligation:	\$11,085,000 AEEB
Prior Year Unobligated:	\$7,211,000 AEEB
Proposed FY 2004 Obligation:	\$9,185,000 AEEB
Year of Initial Obligation:	FY2001
Estimated Completion Date:	FY2005

Summary: USAID/Croatia's overarching objective for the Croatian economy is growth of a dynamic and competitive private sector, to be accomplished by improving the macroeconomic environment for private sector growth and delivering direct assistance to private organizations and enterprises. The USAID economic development program has three elements, all of which focus on establishing the conditions to generate private sector employment. First, USAID programs are assisting the GOC in implementing the structural reforms necessary for Croatia to increase existing low levels of foreign and domestic investment, spur private sector growth, and reduce the high rate of unemployment (presently 16%). USAID advisors are also supporting strong financial sector regulatory systems and new independent regulatory authorities in the energy sector. Second, USAID programs are assisting Croatian businesses, especially small and medium enterprises, to acquire the skills, tools, financing, and services needed for them to compete in local, regional and global markets. Third, USAID programs are focused on accelerating the privatization process in order to move productive assets from State hands into the private sector through non-corrupt, transparent and competitive processes.

Inputs, Outputs, Activities:

FY 2003 Program:

Increase small and medium enterprise development (\$8,200,000 AEEB): The impending breakup of several large, vertically integrated agricultural producer/processor conglomerates, along with Croatia's World Trade Organization membership, carry major implications for the competitiveness of agricultural products. In response, USAID is launching a market-linkages program focusing on developing Croatia's agribusiness sector, consisting mostly of SMEs, and on establishing domestic linkages among producer organizations, processors and markets. With EU accession on the horizon, Croatian agribusinesses face the daunting challenge of competing directly with heavily subsidized EU agriculture. Given that agriculture is one of the few possible avenues to economic development and employment generation in the lesser developed areas of Croatia -- especially war affected areas, this program is of critical importance to the United States Government (USG) strategic goal of regional stability.

In addition to this agricultural sector program, FY 2003 funding will continue to support the Croatian Enterprise Promotion (CEP) activity. Launched in September 2001, this activity works to stimulate private enterprise productivity and profitability. The activity concentrates on improving the quality and exportability of products and services originating in Croatian SMEs. The impact of USAID resources is maximized by wholesaling technical assistance through domestic channels providing business development services (BDS) for enterprises of all sizes. In order to disseminate these services to the highest number of Croatian SMEs as possible, the activity will be expanded to include those SMEs in the lesser developed areas of Croatia. The expanded enterprise development activity also will include a workforce development component to assist Croatia to effectively target retraining programs for workers displaced by enterprise restructuring and privatizations. Microfinance/SME lending activities will focus on deepening the availability of financial services in lesser developed areas and acting as a vanguard for the entry of the commercial banking sector in these areas. USAID will continue to support Croatia's efforts to increase competitiveness across the board. Principal contractors/grantees are: Deloitte, Touche

Tohmatsu, Development Alternatives Inc., and JE Austin Associates (primes); FLAG Croatia and International Executive Corps (subs).

Improved investment climate (\$2,285,000 AEEB): USAID will build on the foundation that has been put in place in 2000-2002, providing additional technical assistance to Croatia in financial management systems/process improvement and fiscal decentralization. To improve financial management systems and processes, USAID will assist the Ministry of Finance (MOF) to implement modern internal audit and control processes. The aims will be to strengthen overall public management, improve debt management to support sound monetary and fiscal policy performance, reduce net interest expenses through better cash management, and provide cost savings and enhanced accountability and transparency through procurement reform. These measures, which will strengthen Croatia's capacity to competently manage its financial affairs, will increase investor confidence in the continued stability of the macroeconomic environment. In fiscal decentralization, USAID will assist the MOF to allocate resources more responsibly and provide for the more efficient delivery of public services, put in place a modern property tax that will serve as a strong revenue base for local governments, and train MOF staff involved in decentralization in hands-on fiscal policy analysis and program and performance budgeting. Principal contractor/grantee is: KPMG Barents (prime).

Privatization (\$600,000 AEEB): USAID is assisting the Croatian Privatization Fund (CPF) in the implementation of the government's aggressive privatization program to divest all State ownership in companies and assets. Current GOC plans call for the sale or liquidation of most the portfolio of assets held by the CPF by mid-to-late 2003. USAID-funded advisors are assisting the CPF with monitoring and analyzing its portfolio of assets; developing company profiles and divestiture strategies for the sale of enterprises; training its employees in valuation methodologies; improving tendering procedures for the sale of enterprises, including the introduction of bid evaluation criteria emphasizing investment and enhanced transparency; and developing pre-privatization strategies for enterprises. Principal contractor/grantee is: Price Waterhouse Coopers (prime).

FY 2004 Program:

Small and medium enterprise development (\$9,185,000 AEEB): FY 2004 resources will continue to fund several ongoing activities. These include the agriculture sector activity focused on SME development and market linkages; the Croatia Enterprise Promotion activity providing new products and services for Croatian business consultants to use in upgrading managerial skills in SMEs; and the enterprise development activity working to achieve greater workforce deployment and higher incomes at all levels.

Performance and Results: USAID assistance in privatization has resulted in the restructuring, sale, and/or liquidation of 30 enterprises sold through public tender and the sale of shares from 700 companies, generating approximately \$132 million in revenue and approximately \$70 million in investment commitments. The CPF's portfolio has been reduced by 700 enterprises, reducing the level of cash subsidies from the Croatian Treasury. USAID-funded technical assistance led to the formation of the "National Competitiveness Council" where very senior level representatives from the private sector and government are collaborating on removing impediments to Croatia's competitiveness. The Chief Executive Officers (CEOs) of some of the largest businesses in the country, key GOC officials (including the Deputy Prime Minister for Economic Affairs), national labor leaders, and the rectors of the country's most important universities are working to develop a common action agenda focused on competitiveness. With USAID support, the Council succeeded in taking the steps necessary for Croatia to be included in this year's global competitiveness report published by the World Economic Forum. In enterprise development, USAID supported the 5,000 member Croatia Employers' Association (HUP) in establishing a sustainable association for business consulting service providers, a step that will ensure quality standards for consultants. USAID helped the Association to develop internationally-accredited certification programs and to provide for marketing and financial cost controls with the aim of improving access to domestic and export markets for Croatian SMEs, in addition to the training of consultants.

Successful achievement of this program will help Croatia reach Northern Tier graduation thresholds of 1) private sector share of GDP (70%), 2) GDP as a share of 1989 GDP (100%), and 3) unemployment rate (9%).

US Financing in Thousands of Dollars

Croatia

160-0130 Growth of a Dynamic & Competitive Private Sector	AEEB
Through September 30, 2001	
Obligations	16,591
Expenditures	3,847
Unliquidated	12,744
Fiscal Year 2002	
Obligations	12,031
Expenditures	10,214
Through September 30, 2002	
Obligations	28,622
Expenditures	14,061
Unliquidated	14,561
Prior Year Unobligated Funds	
Obligations	7,211
Planned Fiscal Year 2003 NOA	
Obligations	11,085
Total Planned Fiscal Year 2003	
Obligations	18,296
Proposed Fiscal Year 2004 NOA	
Obligations	9,185
Future Obligations	0
Est. Total Cost	56,103

FY 2002 Obligations include \$1.105m of FY 2001 Supplemental AEEB.

Data Sheet

USAID Mission:	Croatia
Program Title:	Citizen Participation & Improved Governance
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	160-0210
Status:	Continuing
Proposed FY 2003 Obligation:	\$5,140,000 AEEB
Prior Year Unobligated:	\$1,740,000 AEEB
Proposed FY 2004 Obligation:	\$5,015,000 AEEB
Year of Initial Obligation:	FY 2001
Estimated Completion Date:	FY 2005

Summary: Croatia's fragile coalition government continues to face major challenges in promoting and consolidating democratic reforms. These challenges include: improving the enabling environment for civil society and media; fortifying the legislative framework; strengthening the transparency, responsiveness and accountability of governance at all levels; enhancing the capacity of local governments; and promoting judicial reform. USAID-funded activities designed to help the GOC meet these challenges include support for local government reform, NGO and civil society development, political party and legislative strengthening, and judicial reform.

Inputs, Outputs, Activities:

FY 2003 Program:

Increase the capacity of local governments to manage the new administrative and fiscal demands brought on by decentralization (\$1,860,000 AEEB). USAID's local government reform program assists pilot local governments with "best-practices" in financial and asset management, local economic development, and citizen participation in local affairs. Expansion and dissemination of this program to over 500 local governments will effectively introduce reforms to most of the local government sector in Croatia. The project will help these governments to become fiscally responsible and accountable. Principal contractor/grantee is: Urban Institute (prime).

Improve the capacity of local civil society organizations and the overall NGO sector in Croatia (\$1,200,000 AEEB). USAID's NGO program, launched in December 2001, is providing 13 leading Croatian NGOs with the management, fund-raising, and outreach skills they need to become sustainable, helping them to reach out to grass-roots organizations through small grants. The NGOs that received USAID assistance are today the strongest in the country and are the cornerstones of the current civil society program. These NGOs cover various sectors including health, environmental protection, human rights, community development, disabled persons, youth and women. This program will also help to operationalize the GOC's Office of NGOs and help it push through a much needed law on foundations. Principal contractor/grantee is: Academy for Educational Development (prime).

Increase responsiveness and accountability of Croatia's political parties and Parliament (\$1,680,000 AEEB). USAID's programs will continue to strengthen the political party structure, enabling the parties to more accurately represent the view and goals of their constituents. In addition, at the national level, USAID's ongoing Parliamentary program will assist Members of Parliament to work more effectively in committees and caucuses in an effort to help the Parliament become a transparent and representative institution with effective internal operations. A national poll identifying the general population's priorities will be carried out to help political parties to prepare for and compete effectively in the upcoming round of elections in early 2004. A get-out-the-vote campaign will also be funded to help promote this next pivotal round of elections. Principal contractors/grantees are: International Republican Institute and National Democratic Institute (primes).

Increase Croatian judges' professional development and courtroom management (\$400,000 AEEB). Enormous case backlogs and lengthy delays in case processing are recognized as a significant constraint to citizens' access to justice in Croatia. The civil litigation process is so inefficient that it can take three to five years for one case to obtain an enforceable judgment. USAID assistance through the American Bar Association/Central European and Eurasian Law Initiative (ABA/CEELI) will work with the Croatian judiciary on alternative dispute resolution (ADR) methods that will seek to ease some of the case backlogs. In addition, ABA/CEELI will work with the Croatian Supreme Court to develop a public education and information campaign to inform the public about court administration, judicial proceedings, and the rights of litigants and will continue to provide legal expertise in the development of sustainable changes to the Law School curriculum. Principal contractor/grantee is: ABA/CEELI (prime).

FY 2004 Program:

Increase the capacity of local governments to manage the new administrative and fiscal demands brought on by decentralization (\$1,985,000 AEEB). Additional funding will enable the program to extend best practices to more local governments, introduce reforms to most of the local government sector, familiarize citizens with their role in a democracy, and consolidate gains that have been made in the sector. The key result will be a critical mass of communities capable of assuming new responsibilities for the decentralization process, a development providing for important spread effects.

Improve the capacity of local civil society organizations and the overall NGO sector in Croatia (\$2,105,000 AEEB). As the NGO sector develops more capacity, it will work more with local governments in the area of service delivery with the overall goal of fostering a liberal society that enables and encourages citizen participation.

Increase responsiveness and accountability of Croatia's political parties (\$525,000 AEEB). USAID will continue to work with Croatia's political parties, particularly at the local government level in the lesser developed regions within the country, in order to help them prepare and compete in the local elections scheduled for mid-to-late 2004.

Increase Croatian judges' professional development and courtroom management (\$400,000 AEEB). ABA/CEELI will continue its efforts to establish sustainable, effective clinical law programs at Croatia's law faculties, introduce effective ADR mechanisms, and develop a permanent Judicial Training Center.

Performance and Results: Of 567 local governments, over 400 (more than 75%) are using practices introduced by the program, thereby strengthening their capacity to assume increased responsibilities. Also, cities across Croatia are managing their financial affairs better. In addition, USAID provided technical assistance, training and materials to independent print and broadcast media and to journalists' professional associations. As a result, 24 media outlets (13 radio, 4 print, 7 television) are now operating on a self sustaining basis, generating needed revenues. Likewise, Croatia's only independent television network is now financially and technically independent and broadcasts high quality programs.

USAID's program resulted in significant improvement to NGO infrastructure, enabling a group of six Croatian NGOs to become service providers for smaller NGOs as well as local governments. The program also helped NGOs to successfully lobby for changes to the Law on Social Welfare regarding benefits and work opportunities for persons with disabilities. Assistance to Croatia's political parties resulted in the creation of Party Coordinators whose role is to serve as liaisons between party headquarters, their branch offices and local elected representatives. Zagreb Municipal Court judges and staff have demonstrated improved case management capacity, disposing of 4,400 more civil cases in 2001. Case backlogs also have been reduced.

Future engagement in local government reform and NGO capacity-building will help Croatia achieve levels of democratic reform comparable to graduate SEED countries. A critical mass of communities will assume new responsibilities for the decentralization process, allowing continuance of this process. A local NGO will be better prepared to act as a legacy mechanism, ensuring that three grant-giving and ten other organizations will be able to diversify their funding base, improve their financial sustainability, and weather any gaps of assistance to the civil society sector from larger donors such as the EU.

US Financing in Thousands of Dollars

Croatia

160-0210 Citizen Participation & Improved Governance	AEEB
Through September 30, 2001	
Obligations	28,594
Expenditures	20,646
Unliquidated	7,948
Fiscal Year 2002	
Obligations	11,150
Expenditures	7,802
Through September 30, 2002	
Obligations	39,744
Expenditures	28,448
Unliquidated	11,296
Prior Year Unobligated Funds	
Obligations	1,740
Planned Fiscal Year 2003 NOA	
Obligations	5,140
Total Planned Fiscal Year 2003	
Obligations	6,880
Proposed Fiscal Year 2004 NOA	
Obligations	5,015
Future Obligations	0
Est. Total Cost	51,639

FY 2002 Obligations include \$2.5m of FY 2001 Supplemental AEEB.

Data Sheet

USAID Mission:	Croatia
Program Title:	Return & Reintegration of War-Affected Populations
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	160-0310
Status:	Continuing
Proposed FY 2003 Obligation:	\$5,835,000 AEEB
Prior Year Unobligated:	\$835,000 AEEB
Proposed FY 2004 Obligation:	\$5,015,000 AEEB
Year of Initial Obligation:	2001
Estimated Completion Date:	2005

Summary: USAID's program to increase sustainable return of minority refugees is concentrated in ten municipalities and towns that have demonstrated commitment to the process. Helping those who have returned remain and attract other returnees, the program delivers a critical mass of assistance including infrastructure reconstruction, economic revitalization, legal aid and housing solutions to communities that welcome and contribute toward the return of minority citizens. The following criteria are used: 1) number of returns to date and potential for further returns, 2) availability of cost-effective projects, 3) potential for economic development and job creation, 4) support of local authorities for the return process, and 5) potential for cross-border impact.

Inputs, Outputs, Activities:

FY 2003 Program:

The Community Infrastructure Rehabilitation Program (CIRP), begun in FY 2001, focuses on the reconstruction of infrastructure in partnership, war-affected municipalities to support the return and reintegration of displaced persons and refugees. The activity was fully funded in FY 2002 and will be completed by the end of CY 2003. The principal contractor is Louis Berger (prime).

Increase economic and social viability in partnership municipalities (\$4,779,000 AEEB). The Economic and Community Revitalization Activity (ECRA) in FY 2003 will focus on: 1) economic programs that create jobs and economic activity, 2) reintegration in return areas, 3) information exchanges and direct contacts to increase the rate of cross-border returns, and 4) improved access to housing for returnees, displaced persons and "settlers" using market-based approaches. ECRA activities are implemented through sub-grants to Croatian and U.S. organizations through a cooperative agreement with a U.S. NGO "umbrella grant manager." ECRA sub-grantees implement a wide array of programs in USAID partnership municipalities such as 1) legal assistance to returnees, 2) computer training for youth and women, 3) micro-credit and related business services and training to entrepreneurs, cooperatives and individual farmers, and 4) the development of community-based organizations, e.g., Village Boards. Beginning in FY 2003, ECRA resources will concentrate on economic revitalization which appears to have the greatest potential for promoting sustainable returns and mitigating potential ethnic conflicts.

The New Housing Solutions Program (NHSP), an important new element initiated in FY 2002, is partially implemented under ECRA and partially under USAID's Development Credit Authority (DCA) (see below). The NHSP is applying market-based approaches to meeting the shelter needs of both returnees whose homes require repair or reconstruction and refugees from Bosnia who wish to remain in Croatia and require permanent accommodation ("settlers"). ECRA partners are implementing two pilot activities demonstrating new approaches to resolving housing problems, including: 1) a group of 100 refugee families are being assisted with the repair and reconstruction of their war-damaged houses and 2) a group of 100 settler families who are occupying the homes of 100 refugee families wishing to return to Croatia are being assisted to find permanent housing. The pilot activities are designed to give beneficiaries greater control over and accountability for their permanent housing solutions. Technical support for a complementary loan guarantee program under the DCA is provided under ECRA.

Principal contractors/grantees are: Mercy Corps (prime), Urban Institute, International Catholic Migration Commission, Catholic Relief Services, Center for Civil Initiatives, Serb Democratic Forum, International Rescue Committee, Firm Level Assistance Group, Center for Education and Counseling of Women, Steps of Hope, MIKROPLUS, Net for Peace, Dalmation Solidarity Committee, Organization for Civil Initiatives, and Center for Peace, Non-Violence and Human Rights (subs).

Improve access to housing for returning refugees and "settlers" (\$1,056,000 AEEB). Under the FY 2002 Croatia Mortgage and Home Improvement DCA Loan Guarantee Agreement with the bank Prevedna Banka Zagreb, USAID will guarantee 50% of the bank's mortgages made to approximately 1,000 settler families who vacate refugee-owned homes and purchase a new home from the GOC. This will also permit the GOC to recover some of the funds it has invested in the initial purchase of homes for reuse by settlers. The bank will also offer home improvement loans, partially guaranteed by USAID, to qualified home owners in war affected areas. This will demonstrate that there is viable business for banks in the war-damaged areas and also stimulate the economies of these areas. The initial loan guarantee program will leverage private sector resources on a ratio of about 30 to 1. If the initial guarantee program goes well, USAID is prepared to fund a second phase in FY 2003. The principal contractor is the Urban Institute.

FY 2004 Program:

Increase economic viability in partnership municipalities (\$5,015,000 AEEB). ECRA will continue to focus on economic revitalization in FY 2004. This will involve expanded micro-credit, business development services, and support for the formation and development of agricultural cooperatives and micro-entrepreneurs. ECRA will give priority to promoting the sustainability of the cooperatives and businesses it creates as well as its indigenous implementing partners who will continue to provide support to economic revitalization after ECRA ends.

Performance and Results: Although refugee returns to Croatia in CY 2002 (11,000) are about 7% lower than the previous year, the 1,665 refugees who returned to USAID partnership municipalities represent a 30% increase over returns to these municipalities in the previous baseline year. Fifty-four percent of the refugees who returned to USAID's partnership municipalities were in the economically active age group of 18 to 50. To date, 24 of the 91 infrastructure projects selected for funding have been completed.

Under ECRA, community committees representing all segments of the municipality are functioning in ten USAID partnership municipalities. As of October 2002, ECRA activities had created employment for almost 600 people, generated 88 new contracts worth over \$800,000 for enterprises, and leveraged \$330,000 from other sources including commercial banks. Almost 3,500 people of all ethnic groups have participated in ECRA-assisted community activities, and over 5,000 people received legal assistance of which 35 percent had their cases resolved. Residents and local government officials report that life has returned to normalcy in their communities as a result of the multiple activities implemented by USAID. Finally, 80 of the 100 beneficiary families have been selected for the housing reconstruction program, and 30 of these families have begun repairing their homes.

End outcomes of CIRP are a greatly improved quality of life in partnership and surrounding municipalities through completion of 91 infrastructure projects providing 40,000 people with safe drinking water, restored power supplies, resumed normal operations of schools and health services, and re-opened community facilities. As for ECRA, an optimistic, positive atmosphere in partnership municipalities will be created with a solid base for continuing economic development and community revitalization activities and achieving results such as the creation of jobs and agricultural cooperatives, resolution of property issues, reconciliation among the multi-ethnic population, and maturation of organizations providing a wide variety of community services.

US Financing in Thousands of Dollars

Croatia

160-0310 Return & Reintegration of War-Affected Populations	AEEB	CSH	DA
Through September 30, 2001			
Obligations	78,379	500	1,126
Expenditures	55,229	0	1,126
Unliquidated	23,150	500	0
Fiscal Year 2002			
Obligations	15,729	0	0
Expenditures	12,072	500	0
Through September 30, 2002			
Obligations	94,108	500	1,126
Expenditures	67,301	500	1,126
Unliquidated	26,807	0	0
Prior Year Unobligated Funds			
Obligations	835	0	0
Planned Fiscal Year 2003 NOA			
Obligations	5,835	0	0
Total Planned Fiscal Year 2003			
Obligations	6,670	0	0
Proposed Fiscal Year 2004 NOA			
Obligations	5,015	0	0
Future Obligations	0	0	0
Est. Total Cost	105,793	500	1,126

FY 2002 Obligations include \$1.1850m of FY 2001 Supplemental AEEB.

Data Sheet

USAID Mission:	Croatia
Program Title:	Mitigation of Adverse Social Conditions & Trends
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	160-0340
Status:	Continuing
Proposed FY 2003 Obligation:	\$3,105,000 AEEB
Prior Year Unobligated:	\$1,056,000 AEEB
Proposed FY 2004 Obligation:	\$2,605,000 AEEB
Year of Initial Obligation:	2001
Estimated Completion Date:	2005

Summary: USAID/Croatia's Social Transition program, which began less than two years ago, is aimed at addressing the mounting social ills and political disaffection originating from decades of socialism and post-independence economic contraction. These ills include: high unemployment; growing income inequality; expensive and inefficient health, pension and social welfare systems; inflexible labor markets; disaffected youth; increasing availability of illegal drugs; and declining school enrollments at all levels. USAID social sector activities are modest, targeted to include: 1) enhancing the public's understanding and support for reforms in the pension system and other social areas; 2) supporting multi-stakeholder negotiations on vital social reforms such as the labor and family laws under the aegis of the Croatian Economic and Social Council (GSV); and 3) strengthening the capacity of organizations working to raise awareness about HIV/AIDS and human trafficking.

Inputs, Outputs, Activities:

FY 2003 Program:

Provide the Ministry of Labor and Social Welfare with the necessary technical assistance to enhance the Ministry's public education capability (\$1,000,000 AEEB). USAID has played a vital and exclusive role in assisting the GOC with the first phase of implementation of pension reform through a comprehensive public education campaign, regulatory and oversight training, and information technology assistance. The GOC has requested that USAID, in addition to continuing with its technical assistance for pension reform, expand its efforts in the area of public education to include other social welfare issues such as unemployment programs. Additional assistance will help the Ministry to build a strong capacity to provide information to the general population about new social initiatives and programs. Principal contractor/grantee is: Carana (prime).

Improve the Tripartite Dialogue process through Croatia's Economic and Social Council (\$1,015,000 AEEB). While some reforms have been successful, others have not. To this end, USAID will continue modest and targeted interventions aimed at enhancing the public-private dialogue through its tripartite initiative on social dialogue among labor, business and government. USAID's Tripartite Dialogue Project will continue to work closely with the GOC and Croatian social partners to establish the Office for Social Partnership (OSP), providing ongoing management and technical assistance. USAID will furnish expertise and training in substantive areas so that the OSP can provide the social partners with research and analysis on the reforms under discussion at the GSV. The OSP acts as a secretariat for the GSV - the venue for bipartite and tripartite dialogue on economic, social, and labor issues. Principal contractor/grantee is: Management Systems International (prime).

Strengthen the constituents outreach mechanisms and leadership in Croatia's trade unions (\$970,000 AEEB). Representing nearly 70% of the Croatian workforce, trade unions play a critical role in economic restructuring. USAID's support for labor unions will focus on strengthening their infrastructure and constituent outreach, democratizing union leadership and management, and improving negotiation skills in order that unions can function as credible partners in the tripartite dialogue. Principal contractor/grantee is: American Center for International Labor Solidarity (prime).

Increase public awareness to combat trafficking in persons (\$120,000 AEEB). USAID's support to combat Trafficking in Persons (TiP) focuses on raising awareness among the public, media, law enforcement officials and policy-makers through targeted campaigns and training opportunities. Greater public awareness will stimulate public pressure to adopt specific TiP legislation, including the adoption of a national action plan to combat trafficking. The program will also focus on collecting baseline data in order to develop a clearer picture of the trafficking situation in Croatia. Accurate information on the extent of the trafficking problem will help USAID to better target its resources and provide local policy-makers with appropriate guidance on how best to deal with the issue. Principal contractors/grantees are: International Organization for Migration and International Catholic Migration Commission (primes).

FY 2004 Program:

Improve the Tripartite Dialogue process through Croatia's Economic and Social Council (\$1,210,000 AEEB). USAID will continue modest and targeted interventions aimed at enhancing the public-private dialogue through its tripartite initiative on social dialogue among labor, business and government. USAID's Tripartite Dialogue Project will continue to work closely with the GOC and Croatian social partners to establish the OSP, providing ongoing management and technical assistance.

Strengthen the constituents outreach mechanisms and leadership in Croatia's trade unions (\$1,275,000 AEEB). USAID will continue to work to strengthen unions to enable them to fulfill their social and economic responsibilities.

Increase public awareness to combat trafficking in persons (\$120,000 AEEB). USAID will continue efforts to raise awareness among the public, media, law enforcement officials and policy-makers about trafficking issues through targeted campaigns and training, in addition to continuing to gather baseline data.

Performance and Results: A public education campaign mounted by the GOC with USAID funding resulted in enhancing public awareness and support of the new "pillar two" pension system from 20% to 80% in the months during the enrollment campaign. An end result was the enrollment of over 900,000 people. Significantly, this campaign has broken new ground and has become the model for similar GOC outreach efforts in privatization and other critical reforms. Much of the success of the campaign can be credited to USAID's work with Croatia's trade unions. One hundred trained union members went around the country informing union membership, approximately 70% of the entire workforce, about pension reform policy, rules, regulations and requirements. Over 50,000 persons were trained in over 1,800 sessions, contributing considerably to the increased acceptance of pension reform.

USAID's social transition activities have worked specifically with the Ministry of Labor and Social Welfare to ensure that legislation will be submitted to the GSV at least 14 days in advance of being submitted to the Parliament, leading to more careful consideration of the legislation and the improved likelihood of passage. In the past, legislation was provided one to two days in advance of going to Parliament, if at all.

Upon completion of program activities, USAID anticipates that that the GSV will be able to discuss and vet issues of social reform that lead to successful resolution. A large part of success within this context consists of the ability of the GOC to craft a positive public message on social reform issues and the resolution of issues by tripartite partners in a transparent and effective social dialogue, together illustrating that democratic reform is stabilizing and taking root. In addition, Croatia's three pillar pension system will be growing and operating effectively.

US Financing in Thousands of Dollars

Croatia

160-0340 Mitigation of Adverse Social Conditions & Trends	AEEB
Through September 30, 2001	
Obligations	1,923
Expenditures	164
Unliquidated	1,759
Fiscal Year 2002	
Obligations	2,829
Expenditures	2,402
Through September 30, 2002	
Obligations	4,752
Expenditures	2,566
Unliquidated	2,186
Prior Year Unobligated Funds	
Obligations	1,026
Planned Fiscal Year 2003 NOA	
Obligations	3,105
Total Planned Fiscal Year 2003	
Obligations	4,131
Proposed Fiscal Year 2004 NOA	
Obligations	2,605
Future Obligations	0
Est. Total Cost	11,488

FY 2002 Obligations include \$.675m of FY 2001 Supplemental AEEB.

Data Sheet

USAID Mission:	Croatia
Program Title:	Cross-Cutting Programs
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	160-0420
Status:	
Proposed FY 2003 Obligation:	\$685,000 AEEB
Prior Year Unobligated:	\$950,000 AEEB
Proposed FY 2004 Obligation:	\$700,000 AEEB
Year of Initial Obligation:	2001
Estimated Completion Date:	2005

Summary: USAID/Croatia's cross-cutting program currently includes two components, namely: 1) technical assistance for cross-cutting activities in anti-corruption and 2) training and related support that cuts across all programs. In the past, it had included a component related to the promotion of environmental partnerships between domestic businesses, local governments, and associations and their counterparts in the United States. The activities embodied in the cross-cutting program support USAID's overall assistance goals and help produce results under all USAID/Croatia programs.

Inputs, Outputs, Activities:

FY 2003 Program:

Cross-cutting activities (\$685,000 AEEB). Resources will support cross-cutting activities that affect multiple programs. These activities support USAID's overall assistance goals and influence the results under these programs. The Mission will continue to promote targeted initiatives to promote public awareness regarding corruption, increased citizen demand for sound governance, transparency and accountability and help the government meet its Stability Pact anti-corruption commitments. Anti-corruption efforts will be mainstreamed within activities under all programs wherever opportunities exist.

Training is a common activity across programs and will continue throughout the strategic planning period. Most training is directly related to a particular program and is budgeted accordingly. A modest training budget is will be managed bas a cross-cutting activity to permit training support to the cross-cutting anti-corruption activities and to those that support overall program goals. Program support costs will cover impending evaluations and technical assistance for strategic planning exercises. The principal contractor/grantee is World Learning (prime)

FY 2004 Program:

Training and program support (\$700,000 AEEB). USAID will continue to fund training programs that support overall program goals. Training is a common activity across USAID/Croatia programs and will continue throughout the strategic planning period. Most training is directly related to a particular program and is budgeted accordingly. However, a modest training budget will be managed as a cross-cutting activity to permit training support to the cross-cutting anti-corruption activities and to those that support overall program goals. Program support costs will cover impending evaluations and technical assistance for strategic planning exercises.

Performance and Results: In FY 2002, USAID/Croatia's training programs included 30 different programs in 14 countries and trained a total of 442 participants at a total cost of \$1.1 million. USAID's participant training implementer World Learning provides essential services to support a broad range of short-term technical training in the United States and Europe. These programs are carefully tailored to support USAID/Croatia's programs and specific assistance activities. As such, they require thoughtful program development as well as careful logistical support, monitoring, evaluation and follow-up. A number of specific results can be identified. One, 15 judges and 15 court administrative staff spent time learning about the Slovenian court automation system with the hope that a similar automation system

could be set up in the Croatian courts. As a result, these participants now comprise a core group of court staff who understand automation and are supporting GOC efforts in this regard. In addition, the trip facilitated stronger links between the Slovenian and Croatian courts. Two, a group of 11 young political journalists were selected to attend special training at the BBC on broadcast methods and techniques. USAID anticipates that the trainees will use the principles of this late FY2002 training through the BBC to broadcast more responsible and accurate reports, with the overall aim of strengthening the quality of broadcast journalism. Three, as a result of a participant training experience in Denmark, representatives from several local governments agreed on the need for a set of statutes to provide guidance on decentralization. The statutes will be prepared under the auspices of the Croatian Association of Cities and Municipalities and distributed throughout the local government sector. Four, USAID supported a series of training seminars conducted by the Croatian Mine Action Center (CROMAC) for the media, local government officials and the officials of the national utility agencies. The purpose of the seminars was to educate these officials on the nature and scope of the problems and CROMAC's efforts to clear the country of mines. The seminars have resulted in more accurate reporting on the mine problem and better cooperation in setting priorities between local governments and the national utility agencies on the one hand and CROMAC on the other. Five, a Pension Reform Study Tour for journalists to Hungary offered exposure to pension reform activities in another regional country. The purpose was to ensure that the Croatian Pension Reform take into consideration all "lessons learned" from other countries and to give journalists the opportunity to compare different systems. As the result of this trip, over a two month period there was a significant increase in the number and tone of articles (79 in May and 76 in June) concerning the positive aspects of the Croatian model versus others. Six and last, another program with an immediate result was the participation of an advisor to the Croatian Securities and Exchange Commission in a program in Bulgaria on Enforcement and Market Oversight. Immediately upon her return, she used her experience to contribute to the law on securities market that was passed by Parliament.

US Financing in Thousands of Dollars

Croatia

160-0420 Cross-Cutting Programs	AEEB
Through September 30, 2001	
Obligations	13,304
Expenditures	10,720
Unliquidated	2,584
Fiscal Year 2002	
Obligations	673
Expenditures	2,195
Through September 30, 2002	
Obligations	13,977
Expenditures	12,915
Unliquidated	1,062
Prior Year Unobligated Funds	
Obligations	950
Planned Fiscal Year 2003 NOA	
Obligations	685
Total Planned Fiscal Year 2003	
Obligations	1,635
Proposed Fiscal Year 2004 NOA	
Obligations	700
Future Obligations	0
Est. Total Cost	16,312

FY 2002 Obligations include \$.240m of FY 2001 Supplemental AEEB.